PROVINCIAL AUDITOR
of Saskatchewan

June 26, 2014

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Annual Report on Operations For the Year Ended March 31, 2014*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*. The information in this report reflects known events up to June 13, 2014.

Respectfully submitted,

Judy Ferguson

Judy Ferguson, FCA
Acting Provincial Auditor

/cp

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Mission

To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

Vision

A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability, and sustainability.

Values

We are committed to earning the respect and confidence of our stakeholders and professional colleagues. We hold ourselves individually and collectively accountable in upholding the vision, mission, and values of the Office of the Provincial Auditor.

- **Learning** – We promote and foster a creative culture that stimulates personal and professional growth.
- **Accountability** – We actively take responsibility for achieving positive results and for explaining our performance.
- **Balance** – We support harmony between work, personal life, and community involvement as we strive to balance personal and professional goals.
- **Leadership** – We lead by example and encourage open communication and teamwork.
- **Diversity** – We believe our strength rises from the diversity of our experience, knowledge, and cultural backgrounds.
- **Trust and Integrity** – We are professional, honest, courteous, and fair.
- **Innovation and Excellence** – We challenge the status quo and strive for excellence to achieve positive results.
- **Relevance** – We make a difference, serving as a catalyst for effectiveness and accountability in the public sector.
- **Independence** – We maintain our objectivity in all of our work.

We envision a transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

Message from the Acting Provincial Auditor

Message from the Acting Provincial Auditor

The Provincial Auditor's Office, as Saskatchewan's legislative auditor, serves the Legislative Assembly and the public. It works on behalf of the Legislature and the citizens of Saskatchewan to contribute to better program performance, better parliamentary control, and improved public confidence.

Our *2014 Business and Financial Plan,* tabled in January 2013, sets out the Office's plans, key measures, and targets. Since March 1996, legislators have consistently supported the Office's budget requests. We greatly appreciate that the legislators have continually supported the work of the Office by providing funds needed to audit the Government.

In 2013-14, the Office issued Volume 1 and Volume 2 of the 2013 Report, which contained many chapters covering the audit work performed for approximately 270 entities, and a *Special Report – The Need to Change –Modernizing Government Budgeting and Financial Reporting in Saskatchewan* (April 2013).

This *2014 Annual Report on Operations*, explains the Office's operational and financial performance for the year ended March 31, 2014. To provide legislators and the public with additional assurances on our performance, the report includes independent audit reports on various aspects of the Office's operations, finances, and controls.

The Operating Performance section of this Report shows that the Office met all but one of its targets – it deferred some management and specialized training to meet audit deadlines.

The Financial Performance section of this Report shows that the Office operated within its approved appropriation, prepared reliable financial statements, maintained effective financial-related controls, and complied with its governing authority – *The Provincial Auditor Act.*

The Office's success depends on the efforts of many people including the expertise and professionalism of the employees of the Office. We recognize the contribution of legislators, government officials, and appointed auditors to the Office's success. Legislators' careful public review of our reports helps ensure our work makes a difference. The cooperation and assistance of government officials and appointed auditors is essential and valued.

On May 12, 2014, the Minister of Justice and Attorney General tabled Bill No. 138 – *The Officers of the Legislative Assembly Standardization Amendment Act, 2014*. This bill proposes amendments to *The Provincial Auditor Act*. The Office understands that consultations on this bill are to take place over the summer. As part of this process, the Office expects to share with stakeholders its views on the implications of the proposed amendments on the Office's operations and independence.

Sincerely,

Judy Ferguson

Judy Ferguson, FCA
Acting Provincial Auditor

Understanding the Office of the Provincial Auditor

Purpose of the Office of the Provincial Auditor

For the parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, the Government's programs must be effective, open, and accountable to the public. One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources.

The Office of the Provincial Auditor contributes to the accountability process as the auditor of the Government of Saskatchewan including all of its agencies. The Office helps the Assembly hold the Government accountable for how it manages public resources. **Exhibit 1** shows the Office's outputs and outcomes.

The work and reports of the Office affect public confidence in the Government. They provide legislators and the public with critical information on whether the Government's financial and other reports are reliable, the Government uses effective processes to safeguard the resources with which it is entrusted (public resources), and the Government has complied with governing authorities.

Also, the Office:

- Makes recommendations for improvements to the Government's management of public resources and compliance with authorities
- Encourages discussion and debate about public sector management and accountability issues
- Assists the Standing Committees on Public Accounts and Crown and Central Agencies in carrying out their mandate
- Develops professionals for the public service
- Supports and adheres to the professional assurance standards as published by CPA Canada (formerly the Canadian Institute of Chartered Accountants)

The work and reports of the Office contribute to informed decision making in government and business-like processes. This, in turn, helps the Government carry out its responsibility to use sound management practices.

Auditor Independence

Auditor independence is critical for a successful legislative audit regime. Auditor independence allows auditors to exercise objectivity – not be compromised by bias, conflict of interest, or undue influence of others, and enables the exercise of professional skeptism – appropriately challenge management's assertions.

To achieve auditor independence, the Provincial Auditor, the Office, and its staff must be independent of the Government and be able to exercise that independence – they must be able to make decisions without being affected by influences that would compromise their judgment.

The Provincial Auditor Act provides the legislative framework for the independence of the Office and its staff.

- The Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor with the responsibility to audit all government agencies and report the results directly to the Legislative Assembly.
- The Act ensures the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards.

The Standing Committee on Public Accounts, an all-party committee that does not include Cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a 10-year term. The Act sets the Provincial Auditor's salary and benefits.

A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office for cause.

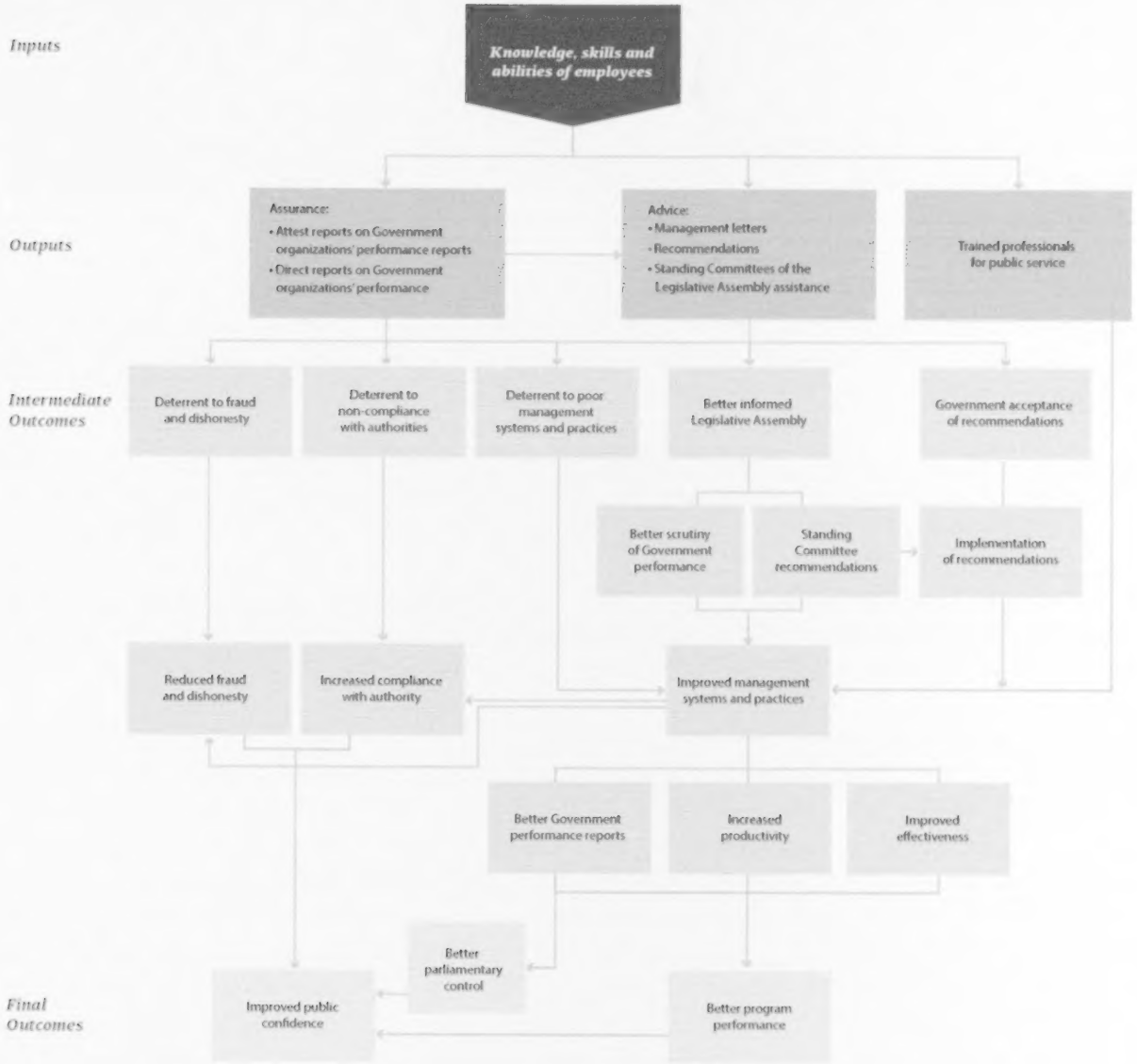
The Act makes the employees of the Office part of the Legislative Branch of the Government and not members of the public service of Saskatchewan.

The Act also requires the Standing Committee on Public Accounts to review the Office's Annual *Business and Financial Plan* and recommend the annual funding for the Office.

The Act gives the Provincial Auditor managerial independence – the power to administer, manage, and control the Office and general business of the Office, and oversee and direct the staff of the Office. This includes deciding which employees to hire and at what rate, what audit work needs to be done and, how the work is carried out.

The Office has put into place additional safeguards to enable staff to act with integrity and exercise objectivity and professional skeptism.

Exhibit 1—The Impact of the Office's Work



Maintaining Effective Systems and Practices

The Office recognizes that sound risk management and effective systems and practices are essential for its management and use of public resources.

As part of risk management, the Office identifies, and assesses the possible adverse consequences that the Office may experience from events or circumstances. Because it is not cost effective to have no risks, the

Office accepts some risks. It uses established systems and practices to reduce those risks to an acceptable level and implements strategies to manage residual risks.

The Office maintains strong systems and practices supported by policies and procedures so that:

- The Office provides quality services and products at a reasonable cost
- The work of the Office is relevant – it assists in strengthening and advancing the Government's ability to achieve intended results
- The scope of the Office's work covers all government agencies accountable to the Legislative Assembly and the people of Saskatchewan
- Stakeholders understand and value the Office's work

The following briefly describes the Office's key systems and practices for each of these areas.

Quality Work at a Reasonable Cost

Doing independent, reliable, and quality work at a reasonable cost is vital to our Office's success. These attributes are also essential for our stakeholders to value our work. The Office must understand the challenges that the Government faces. Also, its work must help improve government program performance.

The Office keeps abreast of changes to and complies with the accounting and auditing profession's generally accepted standards of practice. The objective of these standards is to maintain and enhance the quality of audit work.

The Office has established a system of quality control including documented quality control policies and procedures. The Office's system of quality control includes the following elements: leadership responsibilities for quality within the Office, ethical requirements, acceptance of specific assurance work, human resources, engagement performance, and monitoring. These processes include identifying best practices.

This quality control system promotes recognition that quality is essential in our audit work. It helps ensure the Office and staff comply with professional standards and legal requirements. It also ensures that its audit reports are appropriate. The Office's internal documentation, training materials, and staff appraisal procedures makes certain staff are aware of and adhere to the Office's quality control policies and procedures, and reinforce the view that quality is essential in our audit work.

The Office closely monitors its independence and reports to the Assembly when it is concerned about threats to its independence. It has processes to maintain objectivity and independence in its work. To maintain objectivity and independence in all its work, the Office routinely asks staff to confirm annually, in writing, that they comply with our objectivity and independence standards. It has policies to change senior staff on significant audits at reasonable intervals.

Having skilled legislative auditors is essential to quality audits. The Office maintains hiring, training, and performance evaluation policies. These help the Office attract and retain staff with the required knowledge and expertise, provide staff with the necessary knowledge, skills, and abilities to do their work, and provide compensation competitive with the Government. These policies also help the Office broaden staff skills in key sectors (e.g., health, education, and social services), information technology, and general management.

Also, because the quality and cost of its work is directly related to its employees' productivity, the Office actively plans for the use of its employees' time and monitors their use of time. It compares planned to actual results, and explains and acts on differences. It plans for and manages staff turnover. Also, it monitors its

employees' views of the Office's working environment so that it provides a positive and respectful working environment and one that fosters a culture consistent with the Office's values.

The Office has established management practices that promote its effective use of resources. This includes setting direction, setting performance targets, monitoring its values, training staff, maintaining procedural manuals, delegating authority, processing transactions, and monitoring and reporting results.

The Office uses standard methods for carrying out its work and continually changes its methods to reflect best practice. To identify best practice, it continually compares its methods with private sector auditors and other legislative auditors. Its methods cover how it plans, executes, supervises, reviews, and reports its work. It monitors all of its work so that the work meets its standard methods. Also, it has well-defined procedures for working with other auditors who audit government agencies.

The Office has established processes so that it reports its work by established deadlines and within the planned costs set out in its annual business and financial plan. It forecasts the cost of each audit, and tracks and monitors costs. It explains and acts on differences between planned and actual cost. It also routinely compares its costs with private sector auditors' costs to audit government agencies.

It maintains effective financial management systems and practices including appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties. Consistent with prior years, the Office's auditor has concluded that the Office's financial-related controls were effective and that it complied with provisions of *The Provincial Auditor Act*. (See the **Financial Performance** section for details.) These reports provide the Legislative Assembly with assurance that the Office is discharging its responsibilities.

Relevant Work

The Office sets goals and objectives that will result in relevant assurance and advice for our stakeholders. The Office maintains a **five-year strategic plan** that includes goals, objectives, and general strategies along with forces and trends that affect our work plan. The strategic plan provides a foundation for developing the Office's annual business and financial plans provided to the Standing Committee on Public Accounts.

To help direct its efforts toward relevant issues, the Office uses planning processes that include seeking external input. Its planning processes include identifying external forces, emerging trends, and risks, and assessing their impact on the Office and its plans. How the Government manages its risks affects the nature and extent of the Office's work. The Office uses a risk-based model to focus its work. The Office focuses its efforts on helping its stakeholders address the challenges and opportunities emerging from external forces and trends.

The Office has established reporting processes that include reporting its assurance and advice directly to the Legislative Assembly and the Government. Its reports contain the matters that, in the Office's view, are significant to the Assembly and the public. Volumes 1 and 2 of its Reports also indicate agencies whose financial statements, compliance with authorities, and processes to safeguard public resources were satisfactory.

Before submitting its Reports to the Assembly, the Office prepares and discusses the results of each audit with the applicable agency. This includes meeting with agencies to confirm the findings and gain support for its recommendations. When deciding what to report, the Office considers whether the matter:

- Affects the Assembly's ability to control the financial activities of the Government or to hold the Government accountable for how it administers public money?

- Involves improving how the Government administers public money or its compliance with legislative authorities?
- Involves non-compliance with legislative authorities?

At the end of each audit, it issues a final report to the Minister responsible, to senior officials of the agency and, if applicable, to the chair of the board of directors. Also, it sends a copy to the Chair and Secretary of Treasury Board and to the Provincial Comptroller.

The Office uses surveys to assess management's satisfaction with the Office's work. It also continuously seeks advice from stakeholders when it works with appointed auditors.

Scope of Work

As part of its annual business and financial planning process, the Office prepares an annual work plan that covers all government agencies. Because the Legislative Assembly, Cabinet, and government agencies create or wind up other government agencies, the Office monitors their actions and continually changes its list of government agencies. It estimates the costs of carrying out the work plan and asks the Assembly for the money to carry out the plan.

Stakeholders Understand and Value Work

Gaining and keeping the trust of legislators and the public is essential to the viability of the Office. The Office must provide independent, relevant, and reliable information that is consistent with legislators' objectives. To do this, the Office works closely with the following legislative committees:

- **The Standing Committee on Public Accounts** (PAC) is the audit committee for the Legislative Assembly. PAC is a key agent of change for improving the Government's management of public resources. PAC's mandate is to help the Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public resources. PAC reviews, examines, and evaluates the activities of government ministries and Crown agencies. PAC works with the Office to carry out PAC's mandate.
- **The Standing Committee on Crown and Central Agencies** (CCAC) helps the Legislative Assembly hold the Government accountable for its management of public resources related to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue-related agencies and entities. Since 2001, the Assembly has referred to the Committee for its review the parts of the Office's reports that relate to CIC and its subsidiaries. During its reviews of the Office's reports, the CCAC works with the Office to carry out CCAC's mandate.

The Office has processes to prepare reliable plans and performance reports. These documents convey vital information about the Office. It uses its plans and reports to communicate to its stakeholders who it is, its plans, the results of its work, and its performance. It seeks and monitors the views of its stakeholders on its plans and performance. Each year, it provides the Assembly with its annual business and financial plan and an annual report on operations. PAC reviews and provides its advice on these reports.

To discharge its statutory duties, the Office needs sufficient resources to employ competent people. It also needs enough resources to equip, support, and house its employees. It needs the support of legislators to get the required resources. To gain this support, the Office has established processes to ensure that its work is both relevant to legislators and reliable. Also, it publishes a business and financial plan and an annual report on operations to build legislators' support for its request for resources. When it does not have enough resources to pay for the cost of its workforce, it reduces the size of its staff. When this happens, it does not do all the work the law requires it to do and it advises its stakeholders.

The Office has processes to report its assurance and advice to the Legislative Assembly and its other stakeholders in a clear, accessible, and timely manner. It monitors legislators' and the Government's acceptance of its recommendations and has processes to follow up unimplemented recommendations. It also has processes to make its plans and reports readily accessible to legislators, the public, and government officials. It monitors the use of its reports (e.g., by legislators, legislative committees, and the public).

Organizational Structure

The Office's employees are its most valuable resource because the quality and timeliness of its work depends on their knowledge, skills and professionalism. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to its success. At March 31, 2014, the Office employed 67 people (during 2014, 61 full-time equivalent positions). Thirty-nine of its employees are professional accountants. Fifteen are training to become professional accountants.

The Office's organizational structure is consistent with the prior year (See **Exhibit 2 – Organization at March 31, 2014**). It has a Support Services Division responsible for the Office's human resources, performance reporting, information technology systems, communications, and general administration, and four operating divisions and a unit each with assigned portfolios.

- The Health & Safety Division is responsible for the audit of government programs related to health (including regional health authorities), justice, workplace safety, social services (including child and family services, social assistance, and housing), the Workers' Compensation Board, SaskEnergy, and a number of other government organizations
- The Financial Services Division leads the audit of the Summary Financial Statements for the Government of Saskatchewan and is responsible for our audits of various central agencies (including Finance, Executive Council, the Crown Investments Corporation of Saskatchewan), the Government's MIDAS system, various pension and benefit plans, government relations, insurance, gaming, and a number of other government organizations
- The Education Division is responsible for the audit of government programs related to K-12 and post-secondary education (including school divisions, and the universities of Saskatchewan and Regina) and technical training (including SIAST), SaskTel, and a number of other government organizations

- The Environment and Infrastructure Division is responsible for the audit of government programs related to the environment, economy, physical infrastructure (including highways and watersheds, SaskPower), and a number of other organizations
- The Strategic Initiatives Unit leads cross-government audits and special projects including governance reviews

Exhibit 2—Organization at March 31, 2014

Note: Ed Montgomery retired from the Office on May 31, 2014.

Operating Performance

Management Discussion and Analysis

Background for Measuring the Office's Performance

The Office has three basic outputs (services) as reflected in **Exhibit 1 – The Impact of the Office's Work** and explained in its *2014 Business and Financial Plan* – assurance (audit reports), advice (recommendations), and trained professionals for public service.

The Office provides assurance and advice to government officials. The Office provides assurance by way of reports on the reliability of financial statements, compliance with authorities, and the effectiveness of management systems and practices. The Office provides assurance and advice by way of letters to government officials setting out its conclusions, findings, and recommendations for improvement.

The Office also provides assurance and advice to the Legislative Assembly and the public in its reports to the Assembly. The Office's advice is a by-product of its assurance work. These reports summarize its work at government agencies. The reports provide assurance and advice on the Government, sectors of the Government, and on each government agency's financial statements, its compliance with authorities, and the effectiveness of its financial management systems and practices.

As shown in **Exhibit 1 – The Impact of the Office's Work**, the Office's assurance and advice results in two final outcomes. These outcomes are improved public confidence in government and better performance in the delivery of government programs. The Office also thinks the Government can improve the delivery of its programs by acting on the Office's recommendations.

The Office trains professionals for the public service (primarily professional accountants). Some leave the Office to work in the public sector. They contribute to improved management systems and practices in those agencies. During the year ended March 31, 2014, one employee who left the Office accepted a public sector position.

2014 Balanced Scorecard Results

Introduction

The Office uses a balanced scorecard approach to measure its success in achieving its goals and objectives – this approach is widely used in the public sector. As reflected in its *Business and Financial Plan*, it has set measures for each of the five perspectives of the balanced scorecard: stakeholders (clients); organization; people, learning and development; resources; and public and social (Refer to **Exhibit 3 – 2012 to 2017 Balanced Scorecard**).

Exhibit 3—2012 to 2017 Balanced Scorecard

	Stakeholders (Clients)	Organization	People, Learning, & Development	Resources	Public and Social
GOALS	Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan	Continuously improve the overall effectiveness of our Office	Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace	Provide relevant, reliable, and timely products and services at a reasonable cost	Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan
MEASURES	Government acts on 80% of recommendations that can be implemented within one year Government acts on 80% of recommendations that can be implemented within five years Auditees' post-audit feedback acknowledge value and satisfaction with our work Our reports are provided within agreed upon timeframes and meet statutory deadlines	Employee time consistent with *Business and Financial Plan* Our work is reported by established deadlines and within the planned costs set out in our approved *Business and Financial Plan* Positive CCOLA Peer Reviews & ICAS Practice Inspection Reports The audit opinions on our public performance reports are unqualified Time spent on performance work increases to 20% of available audit hours MLAs have confidence in our independence	Annual office culture survey indicates a positive working environment Students successfully obtain their professional designations Training in the office averages a minimum of 8% of available hours Our auditor composition includes at least 15% of professionals having a non-accounting designation Career plans are in place for individuals who have completed their professional certification	Our *Business and Financial Plan* is approved by the Public Accounts Committee Our work is reported by established deadlines and within the planned costs set out in our *Business and Financial Plan* The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations	Members of the Legislative Assembly have confidence in the independent assurance work of the Office Public awareness of our Office Positive trend in the number of visits to the Office's website and the number of reports downloaded Leadership roles held by members of the Office on relevant key provincial and national committees

The following compares the Office's actual results to planned (target) by each perspective for each measure of success towards meeting its goals.

The following discussion and analysis should be read with the audited **Schedule of Performance Information for Key Performance Measures**. Consistent with prior years, the Office's auditor has reported in the **Independent Auditor's Report on the Schedule of Performance Information for Key Performance Measures** that the Office's performance information was relevant, reliable, and understandable.

Stakeholders (Clients)

The Office's primary clients are the members of the Legislative Assembly and the people of Saskatchewan. Its other clients are public sector ministries and agencies.

The Office measures its success in strengthening and advancing Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan using the following measures:

- Government acts on the Office's recommendations
- Agencies' value of and satisfaction with the Office's work
- Timely assurance on reports to agencies

Government Acts on the Office's Recommendations

Rationale and description of measure: The Office makes recommendations to help improve the Government's performance reports (e.g., financial statements) and its delivery of programs. The extent to which the Government acts on recommendations demonstrates its level of acceptance of the Office's recommendations. The Office groups its recommendations into two types – **Type 1** recommendations are those that are easier to carry out and **Type 2** recommendations are those that are more difficult to carry out. The Office tracks Type 1 recommendations over a five-year period and Type 2 recommendations over a 10-year period.

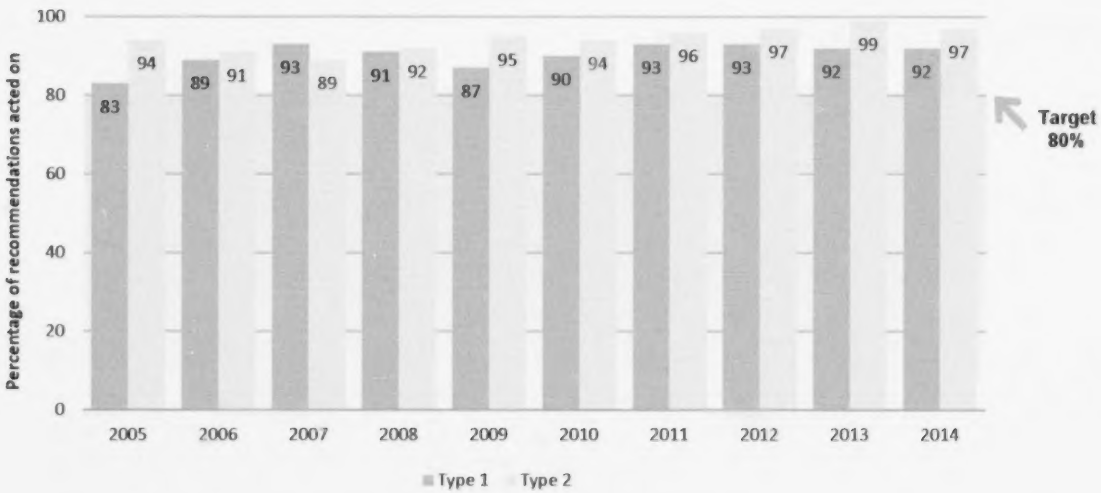
Target: The Government acts on 80% of the Office's recommendations that can be implemented within one year (Type 1), and acts on 80% of the Office's recommendations that can be implemented within five years (Type 2).

2014 Results: Target met – In 2014, the Office achieved its target that the government acts on 80% of both Type 1 and Type 2 recommendations.

Type 1 – During the five-year period of April 2009 to March 2014, the Office made 358 recommendations. Of those recommendations, 252 are more than one year old. **Exhibit 4 – Percentage of Recommendations Acted on by the Government** shows that in 2014, the Government acted on 92% of Type 1 recommendations that are more than one year old.

Type 2 – During the 10-year period of April 2004 to March 2014, we made 630 Type 2 recommendations. Of those recommendations, 229 are more than five years old. **Exhibit 4 – Percentage of Recommendations Acted on by the Government** shows that in 2014 the Government acted on 97% of Type 2 recommendations that are more than five years old.

Exhibit 4—***Percentage of Recommendations Acted on by the Government***



Agencies' Value of and Satisfaction with the Office's Work

Rationale and description of measure: For the past 16 years, the Office has surveyed the agencies it audits to obtain feedback on their satisfaction with the Office's work. The Office tracks post-audit feedback over a five-year period. In 2013, the Office developed a new survey to measure both the agencies' value of and satisfaction with its work. The survey asks agencies to indicate their level of satisfaction with the Office's work related to whether:

- Planned work for the agency met its needs and that the Office carried out its work according to the plan (responsiveness)
- Office employees were knowledgeable and carried out their work professionally and courteously (professionalism)

The survey also asks agencies to acknowledge the value of the Office's work related to whether:

- Reports to the agency's Minister were understandable, accurate, and relevant (reports)
- Recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations)

This year is the first year that the Office surveyed government agencies about both the value of and their satisfaction with the Office's work.

Target: Post-audit feedback shows agencies acknowledge the value of and indicate satisfaction with the Office's work.

2014 Results: Target met – As set out in **Exhibit 5 – Agencies' Value of and Satisfaction with the Office's Work**, based on survey responses, agencies value and are satisfied with the Office's audit work.

During the five-year period of April 2009 to March 2014, 49% of agencies responded to the Office's survey (136 responses out of 277 surveys sent). Although the Office is pleased with the results for the 49% of the

surveys (responses received), it is concerned that it does not know the level of satisfaction for the other 51%. It will continue to encourage agencies to respond.

Exhibit 5—***Agencies' Value of and Satisfaction with the Office's Work***

Criteria	2010	2011	2012	2013	2014[1]
Responsiveness	satisfied	satisfied	satisfied	satisfied	satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very satisfied	very satisfied	very satisfied	very valuable
Recommendations	very satisfied	very satisfied	very satisfied	very satisfied	very valuable

[1] 2014 is the first year that the Office surveyed government agencies about the value of its work in addition to satisfaction with its work.

Timely Assurance on Reports to Agencies

Rationale and description of measure: To have confidence in reported information, legislators and the public need timely assurance that the Government's reports are reliable. Also, providing the Office's to agencies reports on their financial statements on a timely basis assists agencies in meeting their statutory tabling deadlines.

The Office tracks the timeliness of its reports to government agencies compared to planned dates. The planned dates are the dates that the Office agrees to provide its reports to government agencies.

Target: Office provides its reports to the Legislature and government officials within agreed upon timeframes.

2014 Results: Target generally met – The Office provided 87% of its reports to government agencies by the agreed upon dates (2013 – 85%). It continues to work on improving the timeliness of its issuance of reports (management letters) to agencies. As mentioned above, responses to its survey of government agencies reflect agencies are satisfied with the responsiveness of the Office's work.

Of the 261 agencies the Office audited in 2014, 13 agencies did not table their financial statements with the Legislative Assembly within the timeframe required by legislation (2013 – 5). Except for three agencies, these delays were not attributable to the work of the Office. Delays for these agencies related to deliberations over accounting for government transfers (the first year implementation of a new accounting standard).

Organization

The successful performance of the Office is achieved through a sound organizational structure, strong governance, strong management, strong technical knowledge, and efficient administrative support.

The Office measures its success in effectively allocating the resources of the Office to best serve the Legislature and the public by monitoring the proportion of time spent on all of its products and services, including performance work. It uses the following measures:

- Use of employee time is consistent with the *Business and Financial Plan*
- Proportion of time spent on performance work increases
- Work is completed as planned

- Positive CCOLA Peer Reviews on the Office's work
- Positive ICAS Practice Inspection Reports the Office's work
- Unqualified audit opinions on the reliability of the Office's financial statements and its key non-financial performance indicators, effectiveness of financial controls, and compliance with *The Provincial Auditor Act*

Use of Employee Time is Consistent with Business and Financial Plan

Rationale and description of measure: To manage the Office's largest cost (salaries), it manages to use its employees' time according to the planned time set out in its annual *Business and Financial Plan*. The Office tracks how employees spend their time and compares the actual percentage of employee time spent to planned time by work tasks.

Target: The Office uses employees' time consistent with planned time as set out in the annual *Business and Financial Plan*.

2014 Results: Target met – As shown in the audited **Schedule of Actual Time Spent on Tasks,** actual audit working hours are generally used as planned.

The **Schedule of Actual Time Spent on Tasks** compares the actual use of the Office's employees' time with its planned use. The actual information for 2012, 2013, and 2014 is audited. The Office's auditor reported in the **Independent Auditor's Report on the Schedule of Actual Time Spent on Tasks** that the information is reliable. Significant differences between planned and actual time are explained in the footnotes to the **Schedule of Actual Time Spent on Tasks**.

Proportion of Time Spent on Performance Work Increases

Rationale and description of measure: Performance work includes audits that take a more in-depth look at management issues related to management of public resources or compliance with legislative authorities. The Office tracks the proportion of time spent on performance work.

Target: Proportion of time spent on performance work increases year-over-year toward the *2012-2017 Strategic Plan* target of 20% of available audit hours.

2014 Results: Target met – The Office spent 19% of available audit hours on performance work as compared to 17% in 2013.

Work is Completed as Planned

Rationale and description of measure: The Office wants to provide relevant, reliable, and timely products and services at a reasonable cost. The Office tracks the timeliness of its reports to the Legislative Assembly and to government agencies. Also, the Office tracks the planned and actual costs to audit each government agency each year.

Target: The Office reports its work by established deadlines and within the planned costs as set out in its approved Business and Financial Plan.

2014 Results: Target met – The Office completed the majority of its work as set out in its *2014 Business and Financial Plan*. The Office tabled its *2013 Report – Volumes 1 and 2* to the Legislative Assembly within expected timeframes. It also reported its audit conclusions, findings, and recommendations to each government agency.

The audited **Schedule of Actual Costs to Audit Government Agencies** compares the Office's actual costs to examine government agencies for years ending in the period January 1, 2013 to December 31, 2013 with its planned costs. The Office had its actual cost information audited. In the **Independent Auditor's Report on the Schedule of Actual Costs to Audit Government Agencies**, the auditor reported that the information is reliable.

The Office completed most of its work within its planned costs. Significant differences between planned and actual costs are explained in the footnotes to the **Schedule of Actual Costs to Audit Government Agencies**.

Positive CCOLA Peer Reviews on the Office's Work

Rationale and description of measure: On a voluntary basis, the Office participates in the Canadian Council of Legislative Auditors (CCOLA) Inter-jurisdictional Peer Review Process. Every second year, it asks another legislative office to review a number of its audit files to determine whether its audit work complied with generally accepted auditing standards published by CPA Canada.

Target: CCOLA peer review results report that the Office's audit work complied with generally accepted auditing standards published by CPA Canada.

2014 Results: Not measurable for current year – The Office plans to be reviewed in 2015. The last review was in 2013 where the Office of the Auditor General of Canada reviewed two of the Office's performance audit files. In 2013, the Office of the Auditor General of Canada reported that the Office's work complied with professional standards.

Positive ICAS Practice Inspection Reports on the Office's Work

Rationale and description of measure: The Institute of Chartered Accountants of Saskatchewan (ICAS) periodically inspects the Office to determine whether it complies with professional standards and meets the requirements for Chartered Accountant training offices (CATO).

Target: ICAS practice inspector's results report that the Office complied with professional standards and met the requirements for CATO.

2014 Results: Not measurable for current year – The next inspection is scheduled for 2015. The last Institute inspections were in 2012 and 2013. The Institute concluded the Office's work complied with professional standards and met CATO requirements.

Unqualified audit opinions on the reliability of the Office's financial statements and its key non-financial performance indicators, effectiveness of financial controls, and compliance with The Provincial Auditor Act

Rationale and description of measure: The Assembly requires an annual audit of the Office by an auditor who is independent of the Office. This auditor has the same audit responsibilities as the Office. Each year, this auditor provides, in this Report, the Assembly with his/her opinion on the following:

- The reliability of the Office's financial statements
- The effectiveness of the Office's financial controls
- The Office's compliance with *The Provincial Auditor Act*
- The reliability of the Office's key non-financial performance indicators

Target: The external auditor, independent of the Office, provides unqualified opinions for each of the above areas and does not have any significant matters to report to the Assembly.

2014 Results: Target met – The external auditor, independent of the Office, reached unqualified opinions for all of the above areas and had no significant matters to report to the Assembly.

In this report, the Office provides the Assembly with the auditor's reports. In the **Independent Auditors' Report on the Financial Statements,** the **Independent Auditors' Report on Compliance with Authorities**, and the **Independent Auditors' Report on Effectiveness of Financial-Related Controls** the auditor reports that the Office's financial statements are reliable, it complied with *The Provincial Auditor Act*, and it had effective financial management systems and practices. Also, in the **Independent Auditors' Report on the Schedule of Performance Information for Key Performance Measures**, the auditor reports that the Office's performance information is reliable. In the **Independent Auditor's Report of Significant Matters**, the auditor reports that there are no significant matters to report to the Assembly.

People, Learning, and Development

It is important that the Office retains employees with strong management skills and technical knowledge to ensure it has the right balance of skills, knowledge, and expertise to effectively deliver its products and services.

The Office measures its success in being an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace using the following measures:

- Employees' satisfaction with their working environment
- Students' success in obtaining their professional designations
- Proportion of time spent on training
- Skill mix of auditor composition

The Office's five-year strategic plan contemplates the development of career plans for individuals who have completed their professional designation/certification. The Office expects to report on progress towards this measure in future annual reports.

Employees' Satisfaction with their Working Environment

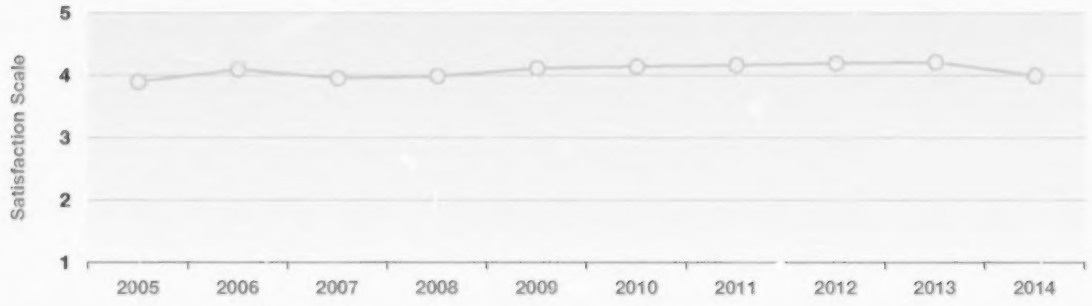
Rationale and description of measure: A good working environment for employees assists with employee productivity and retention. Since 1994, the Office has surveyed employees on satisfaction annually. The survey provides employees with an opportunity to express their level of satisfaction on 13 key indicators of the Office's working environment. The survey uses a rating scale of one through five where five is the most positive response.

Target: Survey results show a positive level of satisfaction with the Office's working environment.

2014 Results: Target met – Employee satisfaction remained positive over the past year.

In 2014, 82% of staff responded to the survey (2013 - 83%). **Exhibit 6 – Cumulative Average Response for All Indicators of Employee Satisfaction** shows the 10-year trend for the average response for all indicators. The exhibit shows employee satisfaction has remained stable.

Exhibit 6—***Cumulative Average Response for All Indicators of Employee Satisfaction***



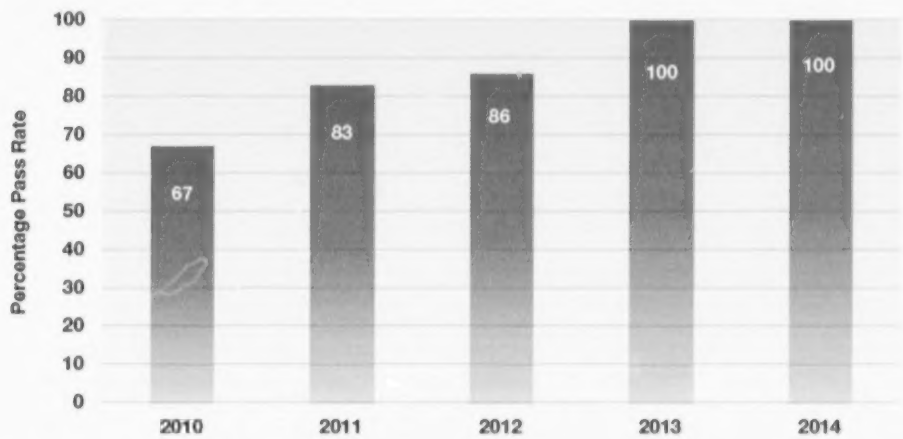
Students' Success in Obtaining their Professional Designations

Rationale and description of measure: To provide quality work at a reasonable cost, the Office develops and trains people who want to become professional accountants (i.e., obtain an accounting professional designation).

Target: Majority of the Office's students successfully obtain their professional designation.

2014 Results: Target met – As shown in **Exhibit 7 – Provincial Auditor's Office Pass Rate for the UFE**, in 2014, 100% of the Office's students who challenged the uniform final examinations (UFE) for the Chartered Accountancy designation were successful.

Exhibit 7—***Provincial Auditor's Office Pass Rate for the UFE***



Proportion of Time Spent on Training

Rationale and description of measure: To maintain staff competencies and its status and abilities as a training office for legislative auditors, the Office needs to allocate sufficient resources for training activities. The Office tracks the time employees spend on training activities.

Target: Time spent on training activities averages a minimum of 8% of available working hours.

2014 Results: Target not met – The **Schedule of Actual Time Spent on Tasks** shows that the Office spent 6% of available working hours on training activities. During 2014, some management and specialized training was deferred to meet audit deadlines.

Skill Mix of Auditor Composition

Rationale and description of measure: To have the right balance of skills, knowledge, and expertise to effectively deliver its products and services to its stakeholders, the Office needs professional staff with a mix of financial-related and non-financial related skills. The Office tracks the professional designations of its audit staff.

Target: At least 15% of professionals have a non-accounting designation or a designation in addition to an accounting designation.

2014 Results: Target met – At March 31, 2014, 30% of the Office's professional employees have a non-accounting designation.

The majority of the Office's professional audit employees (i.e., not including students training to become accounting professionals) have an accounting designation. Ten of these professional accountants also have a non-accounting designation. The Office has four non-accountant professional audit staff. In addition to accounting designations (CA, CMA), the non-accounting designations held by the Office's employees include Certified Internal Auditor, Certified Information Systems Auditor, Certified Information Systems Security Professional, Pension Plan Administration Certificate, law degree, and Masters of Public Administration.

Resources

The Office measures its success in providing relevant, reliable, and timely products and services at a reasonable cost using the following measures:

- Approval of annual *Business and Financial Plan*
- Completion of work as planned
- Assembly's acceptance of the Office's recommendations

Approval of Annual Business and Financial Plan

Rationale and description of measure: The approval of the Office's *Business and Financial Plan* each year by the Standing Committee on Public Accounts (PAC) is an indication of the Assembly's confidence in and satisfaction with the Office's work.

As required by *The Provincial Auditor Act*, the Office, through its annual *Business and Financial Plan*, gives PAC its estimates of the money necessary to fulfill its responsibilities for the upcoming year. PAC reviews the estimates and may either make any alterations to the estimates the Committee considers appropriate, or approve the estimates as presented.

Target: PAC approves the Office's annual *Business and Financial Plan* as presented.

2014 Results: Target met – In January 2014, the Office met with PAC to discuss its *2015 Business and Financial Plan*. PAC approved the Office's *2015 Business and Financial Plan* as presented on January 13, 2014.

Completion of Our Work as Planned

As previously discussed in the **Organization** section, the Office tracks the timeliness of its reports to the Assembly and to government agencies.

Refer to **Organization – Work is Completed as Planned** for 2014 results.

Assembly's Acceptance of the Office's Recommendations

Rationale and description of measure: In its reports to the Assembly, the Office makes recommendations to improve accountability and the delivery of government programs. Through *The Provincial Auditor Act*, the Assembly refers the Office's reports to PAC and CCAC for their review and consideration. As part of this consideration, these Committees decide if they accept (i.e., concur with) the Office's recommendations. The support of the Office's recommendations by these Committees is critical to help hold the Government accountable and to help improve accountability and the delivery of government programs.

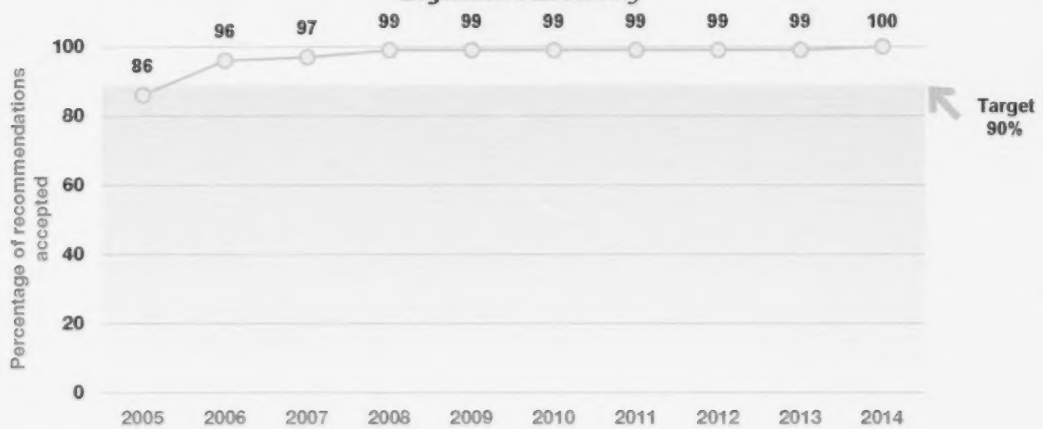
The Office tracks its recommendations to the Assembly and, using the Committees' reports to the Assembly, the Committees' consideration of those recommendations over a five-year period.

Target: PAC and CCAC accept 90% of the Office's recommendations that they consider and report on to the Assembly.

2014 Results: Target met – For 2014, **Exhibit 8 – Percentage of Recommendations Considered and Accepted by Legislative Committees in their Reports to the Legislative Assembly** shows that the Committees accepted, or partly accepted, 100% of the Office's recommendations that they considered and reported on to the Assembly. The exhibit shows that the Office achieved its target in nine of the past ten years.

During the five-year period ending March 31, 2014, the Office made 780 recommendations (Type 1 and Type 2). As of March 31, 2014, PAC has not reported to the Assembly on 504 of our recommendations. As of March 31, 2014, CCAC has not reported to the Assembly on 41 of our recommendations.

Exhibit 8—***Percentage of Recommendations Considered and Accepted by Legislative Committees in their Reports[1] to the Legislative Assembly***



[1] PAC tabled its *Third Report of the 26th Legislature* on September 6, 2011. (Refer to the Office's *2013 Report – Volume 2*, Chapter 52). CCAC tabled its *Tenth Report of the 25th Legislature* on August 23, 2007. (Refer to the Office's *2014 Report – Volume 1*, Chapter 32).

Public and Social

The Office's primary clients are the members of the Legislative Assembly and the people of Saskatchewan. As such, it is important legislators and the people of Saskatchewan are aware of and understand the independent role of the Office. The Office measures its success in raising awareness using the following measures:

- Members of the Legislative Assembly's confidence in the independent work of the Office
- Public awareness of the Office
- Use of the Office's website
- Leadership roles on provincial and national committees

Members of the Legislative Assembly's Confidence in the Independent Work of the Office

Rationale and description of measure: To provide the Assembly with objective and credible work, the Office and its staff must be independent from elected and appointed officials and from the agencies it audits. To monitor independence and objectivity as required by the standards for the accounting and auditing profession, the Office requires all employees to confirm annually whether they have interests in or relationships with the Government or its officials that could affect their independence and objectivity or could be perceived to do so. It then takes actions either to reduce or eliminate those threats.

Target: Potential threats to the independent work of the Office are effectively managed.

2014 Results: Target met – As required by *The Provincial Auditor Act*, the Acting Provincial Auditor and the Office's staff conducted the work of the Office in an independent and objective manner. All threats to independence were effectively managed (e.g., staff were not assigned to engagements where a relationship existed).

Public Awareness of the Office

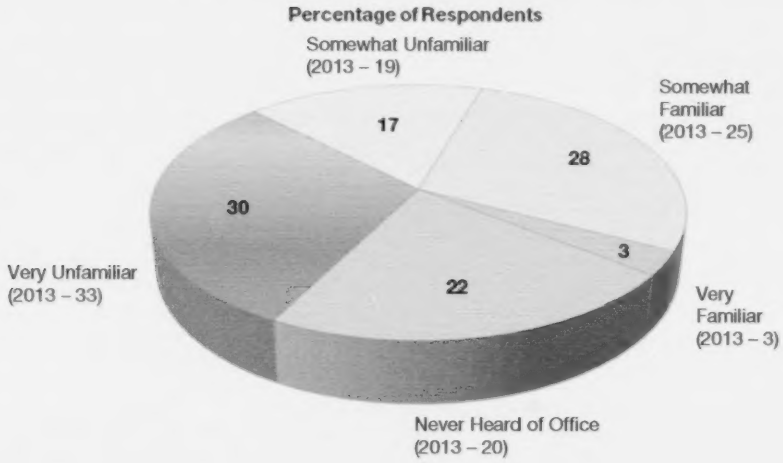
Rationale and description of measure: As key stakeholders in the results of the Office's work, it is important that the public is aware of the Office's work and the role of the Provincial Auditor as an independent Officer of the Legislative Assembly. To measure the public's awareness of the Office, the Office periodically participates in an Omnibus survey of Saskatchewan residents. The survey asks participants how familiar they are with the Office of the Provincial Auditor.

Target: The public's awareness of the Office is at least consistent with the 2013 benchmark where 28% of respondents indicated they had some familiarity with the Office.

2014 Results: Target met – The survey conducted in February 2014 indicated that 31% of respondents had some familiarity with the Office as compared to 28% in 2013.

The Office received feedback from 803 residents of Saskatchewan in 2014 (2013 – 801). **Exhibit 9 – Public's Awareness of the Office** provides a summary of the responses received. As shown in **Exhibit 9**, the public's awareness of the Office increased slightly from the prior year.

Exhibit 9—***Public's Awareness of the Office***



Use of the Office's Website

Rationale and description of measure: The Office uses its website, www.auditor.sk.ca, as one way to communicate the results of its work to its stakeholders. The Office tracks the number of visits made to the website. The Office is researching cost effective options to begin tracking the number of reports downloaded from the website.

Target: Stable or positive trends in number of site visits and reports downloaded. The 2014 results will become the benchmark to assess the use of the Office's website.

2014 Results: During the period of April 1, 2013 to March 31, 2014, there were 13,191 site visits to the Office's website. Of those site visits, 55% were new visits and 45% were return visits.

In the future, the Office expects to provide statistics for the number of reports downloaded as a further indicator of the use of the website.

Leadership Roles on Provincial and National Committees

Rationale and description of measure: One way to both raise the awareness of the Office and to broaden the knowledge and skills of the Office is for members of the Office to participate and hold leadership roles on relevant provincial and national committees (such as professional accounting and assurance bodies, and legislative audit forums).

To support the development and sharing of best practices in our professions, our Office supports employees' participation on several provincial and national committees.

Target: Employees' hold leadership roles on relevant provincial and national committees.

2014 Results: Target met – During 2014, 16 employees were involved in 22 national and 10 provincial committees/boards. Organizations where our employees are involved in leadership roles include the Canadian Council of Legislative Auditors, Institute of Internal Auditors of Canada, Institute of Chartered Accountants of Saskatchewan, Canadian Institute of Actuaries, CCAF-FCVI, and the Saskatchewan Association of Human Resource Professionals.

Independent Auditors' Report on the Schedule of Actual Time Spent on Tasks

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Time Spent on Tasks of the Office of the Provincial Auditor for the year ended March 31, 2014, which is prepared in accordance with the principles as set out in the notes to the schedule of statistical information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual time spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2014, in accordance with the principles set out in the notes to the schedule of statistical information.

June 13, 2014
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31

	Actual			Planned	
Employee time	**2012**	**2013**	**2014**	**2014**	**2015**
Working hours	86%	84%	85%	85%	85%
Vacation leave and statutory holidays	12% [1]	14% [1]	13%	13%	13%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	68%	70% [3]	72% [3]	68%	69%
Support services	11%	11%	11%	11%	11%
Office administration	13% [2]	11%	11%	12%	12%
Training	8%	8% [3]	6% [3]	9%	8%
Total work hours	100%	100%	100%	100%	100%
Total full time equivalent positions	58	61	61 [4]	62	62

(see accompanying notes)

Explanations of statistical differences in the use of employee time.

1 The Office provides vacation leave and statutory holidays similar to those provided to employees in the public service. In 2012, the Office contracted more than planned. Contracted assistance does not include vacation leave and statutory holidays. 2013 reflects one more statutory holiday (Easter) for the period. This occurs every four years.

2 Office administration increased in 2012 as a result of time spent updating the Office's Strategic Plan, implementation of a new office logo, redesign of the Office's public reports, and increased recruiting efforts to hire staff.

3 During 2013 and 2014, some management and specialized training was deferred to meet audit deadlines.

4 This represents 58 full-time equivalent staff and 3 contracted full-time equivalents.

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Year Ended March 31, 2014

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2012 to March 31, 2014 and planned percentages for these tasks for the years ended March 31, 2014 and 2015.

2. Definitions

Working Hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation Leave and Statutory Holidays – Vacation leave paid. It is based on years of service. Employees also receive paid provincial statutory holidays similar to those provided in the public service.

Sick Leave – Sick leave paid. The amount of paid leave is based on years of service.

Total Paid Hours – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

Audit Hours – This is the time spent on the audits set out in the **Schedule of Actual Costs to Audit Government Agencies**. Audit hours do not include the time spent on support services, office administration, and training.

Support Services – This is the time spent on accounting, computer maintenance and support, and other administrative support.

Office Administration – This is time spent on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training – This is time spent on staff development, courses, and seminars. The time includes both employee attendance time and instructor time when our employees instruct our courses.

Full-time Equivalent Positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

Employees and contract staff are required to record on timecards actual time spent on each task to the nearest quarter hour. The supervisors approve the timecards. The Office uses the information from the timecards to pay employees and contract staff and to monitor productivity. The Office also uses this information to determine the costs to audit government agencies.

4. Planned Time

The percentages of planned time set out in the Schedule are those presented to the Standing Committee on Public Accounts in the **Schedule of Planned Time Spent on Tasks** in the Office's Business and Financial Plans for the related fiscal year.

Independent Auditors' Report on the Schedule of Performance Information for Key Performance Measures

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Performance Information for Key Performance Measures of the Office of the Provincial Auditor reporting management's progress in achieving stated objectives and performance targets for the year ended March 31, 2014, which is prepared in accordance with the reporting principles set out on page 31 of the Annual Report on Operations.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the reporting principles set out on page 31 of the Annual Report on Operations, and for such internal control as management determines is necessary to enable the preparation of performance information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of reporting principles used and the reasonableness of significant judgments made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the Office of the Provincial Auditor's progress towards achieving stated objectives and performance targets in accordance with the reporting principles set out on page 31 of the Annual Report on Operations.

June 13, 2014
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

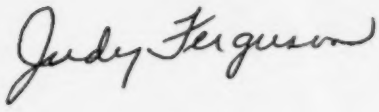
Management's Representation on the Schedule of Performance Information for Key Performance Measures

We prepared the performance information for key performance measures in accordance with the following principles:

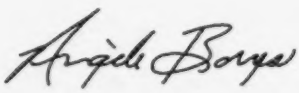
The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of our progress towards achieving the objectives and targets. It shows how we achieved the results and how we measured our progress towards the performance targets.

The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased and capable of being replicated by independent and knowledgeable observers.

The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and aggregated at appropriate and meaningful levels.



Judy Ferguson, FCA
Acting Provincial Auditor



Angèle Borys, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 13, 2014
Regina, Saskatchewan

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR

SCHEDULE OF PERFORMANCE INFORMATION FOR KEY PERFORMANCE MEASURES

For the Year Ended March 31, 2014

Stakeholders (Clients)

Goal

Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan.

Objectives:

1. Our stakeholders value our assurance and advice on the reliability of financial statements, compliance with authorities, and the effectiveness of internal control and information systems.
2. Our stakeholders value our assurance and advice to strengthen the effectiveness and sustainability of agency processes, programs and services, and the safeguarding of public resources.
3. Our stakeholders value our assurance and advice on the effectiveness and use of alternative service delivery models and alternative financing arrangements.
4. Our stakeholders value our assurance and advice on the effectiveness of regulatory processes and operations.
5. Our stakeholders value our advice on managing the key forces and trends affecting reporting practices in the public sector.

Targets	*2014 Results*	*Discussion*
Measure: The Government acts on the Office's recommendations.		
Government acts on 80% of the Office's recommendations that can be implemented within one year (Type 1) and Government acts on 80% of the Office's recommendations that can be implemented within five years (Type 2).	Type 1 – 92% (2013 – 92%) Type 2 – 97% (2013 – 99%)	Target met. The 2014 results for Type 1 recommendations are based on all recommendations that are more than one year old and do not involve major changes made in the five-year period of April 2009 to March 2014. The 2014 results for Type 2 recommendations are based on all recommendations that are more than five years old and involve major changes made in the ten-year period of April 2004 to March 2014.

—Audited—

Targets	2014 Results	Discussion
Measure: Agencies' value of and satisfaction with the Office's work.		
Post-audit feedback shows agencies acknowledge value of and satisfaction with the Office's work.	Agencies value and are satisfied with the Office's work (2013 – Agencies are satisfied)	Target met. The 2014 results are based on the 277 surveys sent to agencies during the five-year period of April 2009 to March 2014. The Office received 136 responses.

Organization

Goal

Continuously improve the overall effectiveness of our Office.

Objectives:

1. We effectively allocate the resources of the Office to best serve the Legislature and Public.

3. We perform our work in accordance with professional standards.

Targets	2014 Results	Discussion
Measure: Use of employee time is consistent with *Business and Financial Plan*.		
The Office uses employees' time consistent with planned times as set out in the annual Business and Financial Plan.	Employee time was used consistent with the 2014 plan (2013 – Consistent with 2013 plan)	Target met. Actual audit working hours are generally used consistent with planned. Refer to **Schedule of Actual Time Spent on Tasks**.
Measure: Proportion of time spent on performance work increases.		
Proportion of time spent on performance work increases year-over-year toward the 2012-2017 Strategic Plan target of 20% of available audit hours.	19% actual (2013 – 17% actual)	Target met.

—Audited—

Targets	*2014 Results*	*Discussion*
Measure: Positive CCOLA Peer Reviews on the Office's work.		
CCOLA peer review results report that the Office's audit work complied with generally accepted auditing standards published by CPA Canada.	Not measurable for current year (2013 – Positive report received)	The Office participates in the CCOLA Inter-jurisdictional Peer Review Process every second year. No review was completed in 2014. The next planned review is in 2015.
Measure: Positive ICAS Practice Inspection Reports on the Office's work.		
ICAS practice inspector's results report that the Office complied with professional standards and met the requirements for a Chartered Accountant Training Office (CATO).	Not measurable for current year (2013 – Positive report received)	ICAS periodically inspects the Office's practice for compliance with professional standards. No inspection was completed in 2014. The next ICAS inspection is scheduled for 2015.
Measure: The audit opinions on the Office's public performance reports are unqualified (i.e., financial statements, compliance with *The Provincial Auditor Act*, the adequacy of financial controls, and the reliability of key non-financial performance indicators).		
The external auditor provides unqualified audit opinions on the Office's public performance reports and has no significant matters to report to the Assembly.	All audit opinions were unqualified (2013 – Unqualified reports received)	Target met. This Report includes audit opinions on the Office's: › Financial statements › Schedule of Actual Costs to Audit Government Agencies › Schedule of Actual Time Spent on Tasks › Schedule of Performance Indicators for Key Performance Measures › Effectiveness of its financial controls to safeguard public resources › Compliance with authorities

People, Learning, and Development

Goal

Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace.

Objectives:

1. Ensure we have the right balance of skills, knowledge, and expertise to effectively deliver our products and services to our stakeholders.
3. Maintain our status and abilities as a training office for legislative auditors.
4. Continually improve our work environment.

Targets	*2014 Results*	*Discussion*
Measure: Employees' satisfaction with their working environment.		
Survey results show a positive level of satisfaction with the Office's working environment.	Employees are satisfied (2013 – Employees are satisfied)	Target met. Employees, through an annual survey, are asked to express their level of satisfaction with 13 key indicators of the Office's working environment.
Measure: Students' success in obtaining their professional designations.		
Majority of the Office's students successfully obtain their professional designation.	100% (2013 – 100%)	Target met. Results are based on the students that challenged the UFE (final exam for CA students).
Measure: Proportion of time spent on training.		
Time spent on training activities averages a minimum of 8% of available hours.	6% (2013 – 8%)	Target not met. During 2014, some management and specialized training was deferred to meet audit deadlines. Refer to **Schedule of Actual Time Spent on Tasks**.
Measure: Skill mix of auditor composition.		
At least 15% of professionals have a non-accounting designation or a designation in addition to an accounting designation.	30% (2013 – 38%)	Target met.

—Audited—

Resources

Goal

Provide relevant, reliable, and timely products and services at a reasonable cost.

Objectives:

1. Our Stakeholders understand and value what we do.
2. We have the resources to access the competencies necessary to respond to the risks faced by our stakeholders.

Targets	2014 Results	Discussion
Measure: Approval of annual *Business and Financial Plan*.		
The Standing Committee on Public Accounts (PAC) approves the Office's annual Business and Financial Plan as presented.	Approved (2013 – Approved)	Target met.
Measure: Assembly's acceptance of the Office's recommendations.		
The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of the Office's recommendations that they consider and report on to the Assembly.	100% (2013 – 99%)	Target met. The results for 2014 are based on all recommendations made in the five-year period of April 2009 to March 2014 and reported on by the Standing Committees on Public Accounts and Crown and Central Agencies.

Public and Social

Goal

Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan.

Objectives:

1. Communicate in a clear, accessible, and timely manner to enhance the public's awareness of the value of the work completed by the Office.
3. Advance our professional relationship with public sector and professional organizations.
4. Support the development and sharing of best practices in our professions.

—Audited—

Targets	*2014 Results*	*Discussion*
Measure: Public awareness of the Office.		
The public's awareness of the Office is at least consistent with the 2013 benchmark where 28% of respondents indicated some familiarity with the Office.	31% of respondents were somewhat or very familiar with the Office (2013 – 28%)	Target met. In 2014, the Office participated in an Omnibus survey of 803 Saskatchewan residents. Participants were asked how familiar they were with the Office of the Provincial Auditor.
Measure: Leadership roles employees held on provincial and national committees.		
The Office supports staff participation on relevant provincial and national committees.	During 2014, 16 staff were involved in 22 national and 10 provincial committees/boards (2013 – 15 staff were involved in 22 national and 12 provincial committees/boards)	Target met.

Financial Performance

Financial Discussion and Analysis

Introduction

The following financial discussion and analysis should be read with our audited financial statements and our audited schedule of actual costs to audit government agencies.

The financial discussion and analysis provides reasons for significant differences between our actual expenses as compared to budget and to the prior year. Our audited schedule of actual costs to audit government agencies compares our actual costs to planned and provides reasons for key differences.

Operating Expense	Difference Between 2014 Actual and 2014 Budget	Difference Between 2014 Actual and 2013 Actual
	$ in thousands	
Salaries	$ 34	$ 118
Employee benefits	45	33
Facilities and equipment	25	(11)
Administration	(7)	(11)
Agent and advisory services	(35)	59
Training and development	(46)	(19)
Total operating expense	$ 16	$ 169

Comparison of 2014 Results to Planned (Budget)

The Legislative Assembly funds the activities of the Office. For the 2014 fiscal year, the Legislative Assembly approved an appropriation of $7,937 thousand and a contingency appropriation of $520 thousand (vote 28). Our *2014 Business and Financial Plan* sets out the basis for the Office's budget. The 2014 budget was based on 62 full-time equivalent (FTE) positions comprised of 60 salaried FTE positions and 2 contracted FTE positions.

Total 2014 operating expenses of $7,955 thousand were $16 thousand more than planned. The key reasons for the difference are as follows.

- **Increase in salaries of $34 thousand** – Lower than planned staffing levels in 2014 (actual 2014 salaried positions was 58 FTEs as compared to budgeted 60 FTEs) offset most of the increase that resulted from an unplanned general salary increase of 2% effective April 1, 2013. When the plan for the Office was set, the Government had not yet announced its general salary increase which was subsequently announced as 2% effective April 1, 2013.
- **Increase in employee benefits of $45 thousand** – The unplanned increase to salaries as noted above increased salary-based benefit premiums by 2%. Also, more staff received parental leave benefits than anticipated.

- **Increase in facilities and equipment expense of $25 thousand** – Mainly due to unanticipated increases to the operating costs (e.g., utilities) for our leased premises.
- **Decrease in agent and advisory services of $35 thousand** – Mainly due to a decrease in legal services.
- **Decrease in training and development of $46 thousand** – Mainly due to deferral of some management and specialized training to meet audit deadlines.

Comparison of 2014 Results to Prior Year

Total 2014 operating expenses of $7,955 thousand were $169 thousand more than prior year. The key reasons for the difference are as follows.

- **Increase in salaries of $118 thousand** – Mainly due to the general salary increase of 2% effective April 1, 2013 somewhat offset by a lower staffing level in 2014 (actual 2014 salaried positions was 58 FTE) compared to 2013 (actual 2013 salaried positions was 59 FTE).
- **Increase in employee benefits of $33 thousand** – Mainly due to the increase in salary-based benefit premiums resulting from the 2% general salary increase effective April 1, 2013. Also, more staff received parental leave benefits in 2014 than in 2013.
- **Increase in agent and advisory services of $59 thousand** – Mainly due to 3 FTE positions contracted in 2014 as compared to 2 FTE positions in 2013, and higher use of advisors for performance audits.

The transfer to the General Revenue Fund of $526 thousand includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

Comparison of 2014 Costs to Audit Government Agencies to Planned

The Office's costs to audit government agencies is directly influenced by the types and amounts of revenues and expenses of the Government, the number of government agencies, the quality of the Government's and its agencies' records, the cooperation that we receive, and the nature and extent of changes in professional standards.

In 2014, the Office was involved in the audits of 261 agencies for a total cost of $7,789 thousand as compared to planned costs of $7,937 thousand.

As noted in the audited **Schedule of Actual Costs to Audit Government Agencies**, the Office completed most 2014 audits within the planned costs as set out in its *2014 Business and Financial Plan*. Explanations for differences between 2014 actual costs and planned costs greater than $75 thousand are included in the footnotes to the schedule.

Effectiveness of Financial-Related Controls and Compliance With Authorities

For all government agencies, the Office reports on the effectiveness of their processes to safeguard public resources, prepare reliable financial reports, and comply with the law. These types of assurances (audit reports) are important to legislators and the public.

To provide the legislators and the public with this assurance, the Office includes in this Report the reports of the auditor of the Office on the effectiveness of the Office's financial management processes and compliance with the law. The **Independent Auditors' Report on Effectiveness of Financial-Related Controls** indicates the Office's controls are effective. **The Independent Auditors' Report on Compliance with Authorities** indicates that the Office complied with the provisions of *The Provincial Auditor Act*.

List of Payees

Consistent with the Legislative Assembly's expectation that all Government agencies provide a list of persons who have received money, the **Additional Information** section of this report includes a list of persons who provided goods and services over $50 thousand to the Office.

Management's Responsibility for the Financial Statements

The accompanying financial statements, included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2014, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements and other information contained in the Annual Report on Operations. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

The Office maintains a comprehensive system of internal control including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates incompatible duties. It has designed its system of internal controls to provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The effectiveness of the Office's controls over safeguarding public resources and its compliance with legislative authorities have been audited by Virtus Group LLP. Virtus Group LLP has also audited the financial statements.

Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and their opinions, are included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2014.

Judy Ferguson, FCA
Acting Provincial Auditor

Angèle Borys, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 13, 2014
Regina, Saskatchewan

Independent Auditors' Report on the Financial Statements

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Office of the Provincial Auditor which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2014, and the results of its operations, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 13, 2014
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

—Audited—

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2014	2013
Financial assets		
Cash (Note 3)	$ 484	$ 674
Accounts receivable	123	8
	607	682
Liabilities		
Accounts payable	43	60
Accrued vacation pay	43	62
Due to the General Revenue Fund	521	560
	607	682
Net debt	---	---
Non-financial assets		
Tangible capital assets (Note 4)	108	117
Prepaid expense	80	90
	188	207
Accumulated surplus	$ 188	$ 207

(See accompanying notes)

—Audited—

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

	2014		2013
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
Appropriation	$ 7,937	$ 7,948	$ 7,813
Contingency Appropriation	520	509	516
Other	6	5	6
Total revenue	8,463	8,462	8,335
Expense			
Salaries	5,316	5,350	5,232
Employee benefits (Note 6)	932	977	944
Facilities and equipment	706	731	742
Administration	436	429	440
Agent and advisory services	374	339	280
Training and development	175	129	148
Total operating expense	7,939	7,955	7,786
Transfer to General Revenue Fund (Note 7)	526	526	565
Total expense	8,465	8,481	8,351
Annual surplus (deficit)	$ (2)	(19)	(16)
Accumulated surplus, beginning of year		207	223
Accumulated surplus, end of year		$ 188	$ 207

(See accompanying notes)

—Audited—

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31
(thousands of dollars)

	2014	2013
Annual surplus (deficit)	$ (19)	$ (16)
Acquisition of tangible capital assets	(47)	(46)
Amortization of tangible capital assets	56	60
	9	14
Acquisition of prepaid expenses	(80)	(90)
Use of prepaid expenses	90	92
	10	2
(Increase) decrease in net debt	---	---
Net debt, beginning of year	---	---
Net debt, end of year	$ ---	$ ---

(See accompanying notes)

—Audited—

Statement 4

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

	2014	2013
Operating transactions		
Cash received from:		
General Revenue Fund		
Appropriation	$ 7,948	$ 7,813
Contingency appropriation	509	516
Other	5	6
	8,462	8,335
Cash paid for:		
Salaries	5,370	5,229
Supplies and other	3,235	3,205
	8,605	8,434
Cash (used in) provided by operating transactions	(143)	(99)
Capital transactions		
Cash used to acquire tangible capital assets	(47)	(46)
Cash applied to capital transactions	(47)	(46)
(Decrease) increase in cash	(190)	(145)
Cash, beginning of year	674	819
Cash, end of year (Note 3)	$ 484	$ 674

(See accompanying notes)

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

1. *General Information*

The Provincial Auditor Act establishes the Office of the Provincial Auditor. The Office is part of the Legislative Branch of Government. The Office:

- Examines the administration of government programs and activities carried out by government ministries, health and education institutions, commissions, boards, and Crown corporations
- Reports the results of examinations to the Legislative Assembly and the public
- Helps the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's reports, the Public Accounts, and other reports

2. *Summary of Accounting Policies*

The Office uses Canadian public sector accounting standards to prepare its financial statements. A statement of remeasurement gains and losses has not been presented in these financial statements because all financial instruments are measured at amortized cost. The following accounting principles are considered to be significant.

(a) Revenue

The appropriation from the General Revenue Fund is recorded when authorized by the Legislative Assembly.

Other revenue consists of bank interest, which is recorded when earned.

(b) Transfer to General Revenue Fund

The Provincial Auditor Act requires that all fees charged and other revenues received by the Office be deposited to the General Revenue Fund. The Act also requires that any unspent appropriations, as determined using the expenditure basis of accounting, be returned to the General Revenue Fund.

(c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

(d) Financial Instruments

The Office's financial instruments include accounts receivable, accounts payable, accrued vacation payable, and due to the General Revenue Fund. All financial instruments are carried at amortized cost, which approximates fair value due to their immediate or short-term maturity. These instruments have no significant exposure to interest rate, credit, or liquidity risks.

3. *Cash*

Cash consists of interest-bearing money on deposit with the bank. The interest rates remained constant at 0.50% during the year.

4. *Tangible Capital Assets*

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2014 (000's)			2013 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	$ 485	$ 358	$ 843	$ 820
Additions during the year	39	9	48	46
Disposals during the year	20	6	26	23
Closing cost	504	361	865	843
Opening accumulated amortization	468	258	726	689
Annual amortization	35	22	57	60
Disposals	20	6	26	23
Closing accumulated amortization	483	274	757	726
Net book value	$ 21	$ 87	$ 108	$ 117

Annual amortization is included in facilities and equipment expense in the Statement of Operations.

5. *Budget*

The budget shown in the Statement of Operations is presented using the expense basis of accounting.

Under *The Provincial Auditor Act*, the Standing Committee on Public Accounts is charged with the review and approval of the Office's funding request (appropriation and contingency appropriation).

The Standing Committee on Public Accounts approved on February 8, 2013, the Office's funding request of $8,457 thousand that was prepared using the expenditure basis of accounting.

The 2014 Budget and Actual using the expenditure basis of accounting are as follows:

	2014 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund		
Appropriation	$ 7,937	$ 7,948
Contingency Appropriation	520	509
Other	6	5
Total revenue	8,463	8,462
Expenditure		
Salaries	5,316	5,350
Employee benefits	932	975
Facilities and equipment	704	702
Administration	436	430
Agent and advisory services	374	339
Training and development	175	140
Total operating expenditure	7,937	7,936
Transfer to General Revenue Fund (Note 7)	526	526
Total expenditure	8,463	8,462
Excess of revenue over expenditure	$ ---	$ ---

6. *Employee Future Benefits*

The Office participates in a defined contribution pension plan: The Public Employees Pension Plan. The Office's financial obligation to the plan is limited to contributions of 7.25% of employees' salaries for current service. The Office's annual pension expense for 2014 of $407 thousand (2013 - $378 thousand) is included in employee benefits.

The Office also participates in The Public Employees Disability Income Plan. The Office's financial obligation to the plan is limited to contributions of 1.792% of employees' salaries for current service. The Office's annual expense for 2014 of $90 thousand (2013 - $88 thousand) is included in employee benefits.

7. Transfer to General Revenue Fund

The $526 thousand transfer (2013 – $565 thousand) includes the Office's unspent appropriations of $521 thousand and other revenue (i.e., bank interest) of $5 thousand.

8. Commitments

In 2011-12, the Office entered into a new ten-year lease commencing April 1, 2012, for its accommodations. Annual lease payments are $488 thousand before escalation adjustments.

For the following fiscal years, the Office is also committed to make future annual payments for operating leases of:

2015	$ 45 thousand
2016	$ 14 thousand

Independent Auditors' Report on the Schedule of Actual Costs to Audit Government Agencies

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Costs to Audit Government Agencies of the Office of the Provincial Auditor for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies of the Office of the Provincial Auditor for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

June 13, 2014
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

For the Year Ended March 31
(thousands of dollars)

	2014			2013
Government Agency	Planned Costs (Note 5)	Actual Costs (Note 4)		Actual Costs (Note 4)
Executive Council	$ 16	$ 20		$ 15
Legislative Assembly	99	97		122
Ministry of Advanced Education	871	1,133	1	801
Ministry of Agriculture	325	342		295
Ministry of Central Services	200	194		211
Ministry of the Economy	432	373		470
Ministry of Education	700	457	2	649
Ministry of Environment	327	269		201
Ministry of Finance	882	779	3	811
Ministry of Government Relations	259	238		172
Ministry of Health	1,192	1,104	4	1,232
Ministry of Highways and Infrastructure	114	102		83
Ministry of Justice	443	458		523
Ministry of Labour Relations and Workplace Safety	32	24		23
Ministry of Parks, Culture and Sport	181	211		199
Ministry of Social Services	228	165		284
Public Service Commission	43	30		77
Crown Investments Corporation of Saskatchewan	132	105		62
Information Services Corporation of Saskatchewan	18	---		12
Saskatchewan Gaming Corporation	45	37		39
Saskatchewan Government Growth Fund Management Corporation	6	---		4
Saskatchewan Government Insurance	100	65		59
Saskatchewan Liquor and Gaming Authority	207	200		206
Saskatchewan Opportunities Corporation	11	9		10
Saskatchewan Power Corporation	82	71		66
Saskatchewan Telecommunications Holding Corporation	71	56		69
Saskatchewan Transportation Company	10	8		9
Saskatchewan Water Corporation	20	18		17
SaskEnergy Incorporated	76	46		105
Workers' Compensation Board	54	24		29

—Audited—

Government Agency	2014 Planned Costs (Note 5)	2014 Actual Costs (Note 4)	2013 Actual Costs (Note 4)
Government-wide, Sectoral, and Special issue work	223	162	392
Legislative Committees and Public Reports	538	598	608
	$ 7,937	$ 7,395	$ 7,855
Estimated costs to complete audits not complete at March 31, 2014 (Note 3)	---	394	---
TOTAL COSTS	$ 7,937	$ 7,789	$ 7,855

(See accompanying notes)

Explanation of differences between 2014 actual costs and planned costs greater than $75 thousand (in thousands of dollars):

1 **Ministry of Advanced Education** – Our 2014 actual costs are $262 more than planned. Estimated costs to complete all of our work are $49. As a result, our 2014 estimated actual costs are $311 more than planned. In 2014, we conducted two audits that were not originally planned: 1 – we assessed the effectiveness of the University of Regina's processes to protect its interests as it fosters research and commercialization of research ($105) and 2 – we assessed the effectiveness of its processes for the procurement of goods and services, and for the disposal of surplus assets ($255). Our costs to audit the University of Saskatchewan were $39 less than planned as a result of decreased travel costs and fewer issues than anticipated.

2 **Ministry of Education** – Our 2014 actual costs are $243 less than planned. Estimated costs to complete all of our work are $20. As a result, our 2014 estimated actual costs are $223 less than planned. Our costs to audit the school divisions were $208 less than planned as a result of decreased travel costs and fewer issues requiring research, and the deferral of two audits: 1 – to assess the Ministry's processes for long-term strategic planning and 2 – to assess whether school divisions' processes for purchasing goods and services are effective and economical. These audits were deferred for 2014 as a result of the decision to conduct two audits at the University of Regina (refer to footnote 1 above).

3 **Ministry of Finance** – Our 2014 actual costs are $103 less than planned. Estimated costs to complete all of our work are $28. As a result, our 2014 estimated actual costs are $75 less than planned. The decrease is a result of efficiencies in staff levels used and fewer audit issues requiring research for assorted audit work such as the Summary Financial Statements, General Revenue Fund, and various pension and benefit plans.

4 **Ministry of Health** – Our 2014 actual costs are $88 less than planned. Estimated costs to complete all of our work are $86. As a result, our 2014 actual estimated costs are $2 less than planned.

—Audited—

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

For the Year Ended March 31, 2014

1. Purpose

Each year, the Office sets out its Annual Work Plan in its *Business and Financial Plan* – **Schedule of Planned Costs to Audit Government Agencies** (Annual Work Plan).

This schedule shows the Office's actual costs, up to March 31, 2014, of auditing the various agencies of the Government as compared to the prior year. The results of the Office's 2014 work is reported in its *2013 Report – Volume 2* and *2014 Report – Volume 1* reports tabled in the Legislative Assembly and available on its website.

2. Cost Allocation Policies

Government agencies have various fiscal year-ends (e.g., March 31, June 30, August 31, and December 31). Due to the nature of auditing, audit activity related to an agency occurs before and after its fiscal year end. As such, while most do, not all audits start and finish within the Office's fiscal year. As a result, the Office's total annual operating expenditure is allocated to pay for portions of more than one Annual Work Plan.

Total Operating Expenditure is the total operating expenditure as reported in the audited financial statements for the related fiscal year. It reflects total costs incurred to March 31 in that fiscal year.

Each year, the Office allocates its total operating expenditure to the audit categories set out in its Annual Work Plan. It uses hours reported for each audit in approved employee time sheets as the basis of its allocation. It applies direct costs to their relevant audit agency and year. It determines cost-per-hour based on employee's pay and benefits and a portion of other costs (e.g., facilities and equipment, administration, training and development) allocated based on the planned time spent on audits (audit hours). Cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

Planned Costs shown on the schedules are the planned costs as presented to the Standing Committee on Public Accounts in the Annual Work Plan for the Office's 2014 fiscal year.

Actual Costs per government agency shown on the schedule are the sum of actual direct costs related to relevant audits plus the resultant of actual time (hours) spent by employees multiplied by cost-per-hour.

3. Additional Cost Information

At March 31, 2014, the Office estimates total costs to complete its 2014 Annual Work Plan will be $7,789 thousand based on estimated costs of $394 thousand to complete audits not done at March 31. At March 31, 2014, the 2013 Annual Work Plan is complete.

—Audited—

Actual	2014	2013
Average Cost-per-hour	$ 108.00	$ 108.57
Direct Costs (in thousands)	$ 210	$ 179

Average cost-per hour is the total operating expenditure for the year less direct costs divided by total hours for all employees for the year. Direct costs are costs other than salaries that are directly related to specific audits (e.g., travel).

4. Source of Funds

The following provides the amount of operating expenditure by fiscal year used to pay for the Annual Work Plan.

Fiscal Year Costs Incurred	Annual Work Plan 2014	Annual Work Plan 2013
	(in 000's)	
2015 (estimate)	$ 394	$ ---
2014	5,875	553
2013	1,520	5,742
2012	---	1,560
Total Costs to Audit Government Agencies	$ 7,789	$ 7,855

5. Planned Costs

While total planned costs is unchanged from the amount presented in the *2014 Business and Financial Plan*, planned costs of the following agencies were reallocated to reflect the Government's reorganization of these agencies in 2013-14. The Office included the reallocated planned costs for 2014 in its *2015 Business and Financial Plan* – **Schedule of Planned Costs to Audit Government Agencies**.

	Reallocated Planned Costs 2014	Original Planned Costs 2014
	(in 000's)	
Ministry of Advanced Education	$ 871	$ 936
Ministry of Central Services	200	243
Ministry of the Economy	432	367
Public Service Commission	43	---
Total Planned Costs for Above Government Agencies	$ 1,546	$ 1,546

Independent Auditors' Report on Effectiveness of Financial-Related Controls

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's control as of March 31, 2014 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make our judgements about the effectiveness of the Office of the Provincial Auditor's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

Office of the Provincial Auditor's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the Office of the Provincial Auditor's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion based on the limitations above, the Office of the Provincial Auditor's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2014, based on the CICA criteria of control framework.

This report is provided solely for the purposes of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 13, 2014
Regina, Saskatchewan

Chartered Accountants

Independent Auditors' Report on Compliance with Authorities

To the Members of the Legislative Assembly of Saskatchewan

We have made an examination to determine whether the Office of the Provincial Auditor complied with the provisions of *The Provincial Auditor Act* pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 2014.

Our examination was made in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of *The Provincial Auditor Act* during the year ended March 31, 2014.

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purposes. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

June 13, 2014
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Independent Auditors' Report on Significant Matters

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2014

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 13, 2014.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> To report matters that, in our judgement, are significant (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e. it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Governance and Management Control

- No reportable matters identified.

Systems Control

- No reportable matters identified.

Financial Statement Presentation and Disclosure

- No reportable matters identified.

Other Matters

- No reportable matters identified.

Detailed findings and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

June 13, 2014
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Additional Information

List of Payees

Employee Earnings

List of employees earning $50,000 or more and their earnings for the year ended March 31, 2014.

Ahmad, Mobashar	$181,294	Montgomery, Edward	174,454
Anderson, Mark	146,130	Neher, Kendra	54,313
Bachelu, Gaylene	60,104	Novakovski, Jade	65,875
Borys, Angèle	174,454	Nyhus, Glen	113,109
Clemett, Tara	137,480	Ochieng, Jennifer	83,063
Deis, Kelly	165,753	O'Quinn, Carolyn	141,230
Dickin, Deann	88,465	Pituley, Jonathan	69,450
Dressler, Nicole	69,450	Rau, Brent	69,450
Drotar, Charlene	125,586	Robertson, Jennifer	79,560
Ferguson, Judy	209,440	Rybchuk, Corrine	82,488
Halladeen, Aaron	77,048	Schwab, Victor	137,480
Harasymchuk, William	128,606	Shaw, Jason	101,576
Heebner, Melanie	106,880	Shorten, Karen	50,010
Iles, Amanda	54,533	Sommerfeld, Regan	138,390
King, Mark	79,560	St. John, Trevor	116,427
Klassen, Linda	129,157	Stroh, Evan	70,560
Kress, Jeffrey	126,546	Sych, Larissa	65,759
Lefebvre, Jennifer	78,499	Tomlin, Heather	88,465
Lindenbach, Michelle	106,880	Volk, Rosemarie	137,480
Lowe, Kimberley	131,982	Wandy, Jason	104,301
Lysyk, Bonnie	91,728	Yee, Ken	63,322
McIntyre, Mitchell	69,450	Zerr, Jennifer	93,090

Suppliers

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2014.

FACT Computers (1998) Ltd.	$ 92,717
Institute of Chartered Accountants of Saskatchewan	54,695
MNP LLP (Regina, Saskatoon, and Calgary)	119,131
S & U Homes (Chateau Tower)	487,149
Saskatchewan Blue Cross	67,709

Other Expenditures

List of statutory expenditures of the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2014.

Public Employees Dental Plan	$ 83,107
Public Employees Disability Income Plan	89,676
Public Employees Pension Plan	407,243
Receiver General for Canada - Canada Pension Plan	148,013
Receiver General for Canada - Employment Insurance	69,910

Glossary of Terms

Agency – an entity of Government accountable for public money.

CICA – the Canadian Institute of Chartered Accountants represents Canada's Chartered Accountant profession both nationally and internationally.

CCOLA – the Canadian Council of Legislative Auditors is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices, and professional development in legislative auditing.

CPA Canada – Chartered Professional Accountants Canada is the national organization established to support unification of the Canadian accounting profession under the CPA designation.

Crown and Central Agencies Committee (CCAC) – the Standing Committee on Crown and Central Agencies considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming, and all other revenue related agencies and entities.

General Revenue Fund – is the main fund that receives government revenue. The GRF is available for appropriation by the Legislative Assembly for the public services of Saskatchewan. The GRF financial statements account for transactions of the GRF.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Measure – a factor chosen to monitor success in achieving objectives.

Mission – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Performance Audit – is a fair and impartial assessment that provides objective information about the performance of programs, activities, and functions, and when applicable, specifies about where improvements can be made and the likely impact of those improvements.

Public Accounts Committee (PAC) – the Standing Committee on Public Accounts scrutinizes the fiscal management, administration, and stewardship of public assets by the Government of Saskatchewan.

Strategy – the approaches that can be taken to meet objectives and achieve goals.

Summary Financial Statements – provide the consolidated financial position of the Government of Saskatchewan.

Vision – a brief description of the ideal state.